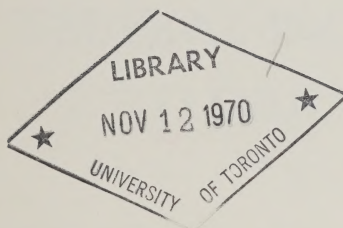


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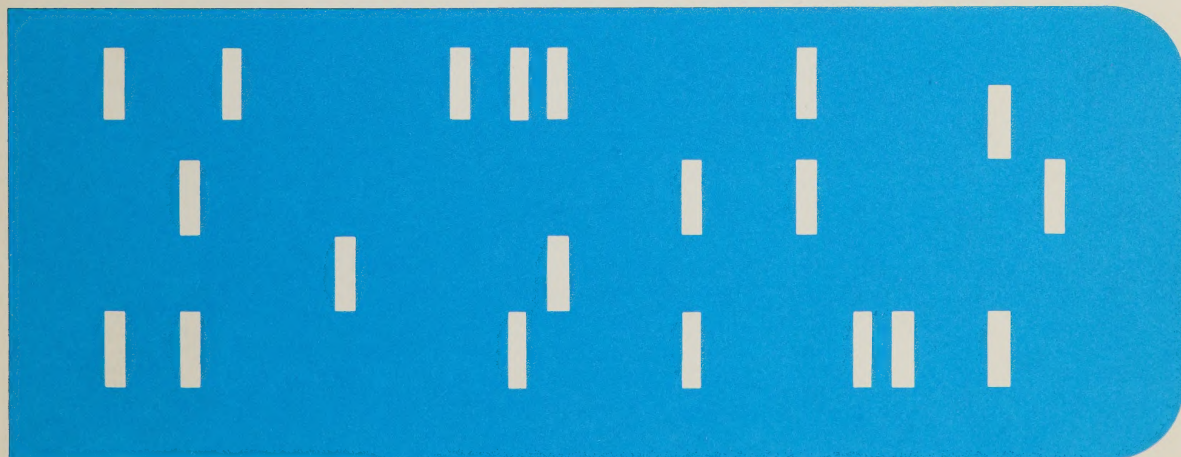
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DOING BUSINESS IN CANADA



FEDERAL INCENTIVES TO INDUSTRY



DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE
OTTAWA, CANADA

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DOING BUSINESS IN CANADA

FEDERAL INCENTIVES TO INDUSTRY

Prepared by
Industrial and Trade Enquiries Division
Office of Promotional Services
Department of Industry, Trade and Commerce
OTTAWA

MINISTRY OF INDUSTRY

FEDERAL INCENTIVES TO INDUSTRY

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FOREWORD

This booklet deals with major federal government incentives available to Canadian industrial organizations. It is intended as a guide in this field and, as such, refers only to the basic provisions involved. Accordingly, industrial organizations proposing to take advantage of any of these incentive measures are advised to contact the appropriate authorities referred to in the text.

Every effort has been made to accurately reflect the legislation in force at the time of preparing this material.


Other publications available from the "Doing Business in Canada" series are:

- The Canadian Environment
- Forms of Business Organization
- Canadian Customs Duties
- Taxation — Income, Business, Property
- Taxation — Sales, Excise, Commodity
- Labour Legislation
- Construction and Equipment Standards
- Patents, Copyrights and Trade Marks
- Tariff Preferences for Canadian Goods Abroad

Also available:

- Financing Canadian Industries

Revised: January, 1970.



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INTRODUCTION

The Canadian economy is becoming increasingly characterized by a broad population base, expansion of the domestic market, urbanization, and diversified production facilities. In effect, Canada has undergone a modern industrial revolution in which advanced technology, modern transportation facilities and a highly skilled and flexible labour force are combined in an expanding market with a factory-based system of specialized production to serve it. These basic structural changes have decisively committed the Canadian economy to an industrial future.

The encouragement of industrial expansion

has always been of major concern to Canada. In its effort to ensure continued sound industrial growth, the Canadian government is aware that an attractive investment climate must, on occasion, be complemented by positive incentive measures geared to the needs of industry and to the requirements for a maximum rate of growth on the basis of available resources.

This chapter of the "Doing Business in Canada" series is intended only to highlight the major industrial development incentives available at the federal level.

INCENTIVES FOR REGIONAL DEVELOPMENT

Although Canada's overall economic growth in recent years has been most encouraging, the rate of expansion has been unsatisfactory in some regions which have lagged seriously behind the rest of the economy. The Department of Regional Economic Expansion was established April 1, 1969 to stimulate increased economic activity, industrial expansion, and new employment opportunities in these slow-growth regions.

One of the Department's major tools for accomplishing this objective is the Regional Development Incentives Act which came into effect July 1, 1969. Under this Act outright cash grants are offered to firms that locate, expand, or modernize manufacturing and processing plants in designated regions of the country.

These designated regions include parts of all 10 provinces, and approximately 30 per cent of the Canadian labour force. The accompanying map (Appendix "B") shows the regions which have been designated until July 1, 1972. At that time, the list of regions will be reviewed and changed where appropriate.

Eligible Industries

All manufacturing and most kinds of processing are eligible for grants, including petrochemical processing, production of paper and paperboard from pulp, sawmilling, and the processing of fish and farm products. Initial processing in a resource-based industry, for example oil refining, pulp and newsprint, is excluded.

Incentives Available

For modernizing a plant or expanding its present production, the grants may go up to 20 per cent of approved capital costs (machinery, equipment and buildings) to a maximum of \$6 million for a single project.

For establishing a new plant or expanding an existing plant to manufacture new products, the grants may go to 25 per cent of approved capital costs plus up to \$5,000 for each job created in the operation. The maximum benefit that may be authorized for a new plant or new product expansion is \$12 million, or \$30,000 for each job created, or one-half of the capital to be employed in the operation, whichever is the least.

In calculating the amount of any incentive to be offered, the Minister of Regional Economic Expansion will take into consideration:

- (a) the extent of the contribution that the new, expanded or modernized facility would make to economic expansion and social adjustment in the designated region;
- (b) the need of the facility for incentives;
- (c) the amount of any other federal, provincial or municipal assistance being given to the project;
- (d) the cost to public authorities of providing services or utilities to the facility;
- (e) the cost of preventing or eliminating any air, water, or other pollution;
- (f) whether the resources to be exploited by a processing operation would be adequate to support the facility to

gether with existing facilities that utilize the same resources.

Minimum Investment

For an incentive to be authorized, approved capital costs (machinery, equipment and buildings) must exceed \$30,000 in the case of an ordinary expansion or modernization, and \$60,000 in the case of a new plant or new product expansion.

Equity

The applicant must provide equity of at least 20 per cent of the approved capital costs.

Other Conditions

- (1) An application must be made when the project is in the planning stage, before any commitments are undertaken.
- (2) The offer of an incentive by the Minister of Regional Economic Expansion remains open for acceptance by the applicant for two months.
- (3) The offer will specify a date by which construction or installation of assets must begin.
- (4) Canadian manufacturers must be given reasonable opportunity to supply machinery and equipment.
- (5) The operation must employ residents of the designated region to the maximum extent practicable.

- (6) The legislation applies to operations coming into commercial production by December 31, 1976.

Payment of Incentives

Eighty per cent of the authorized incentive will be paid when commercial production begins, the remaining 20 per cent being paid within 2½ years for an ordinary expansion or modernization, or within 3½ years for a new plant or new product expansion.

Other Services Available

In addition to these grant incentives, the Department of Regional Economic Expansion offers a number of services to firms interested in locating in designated regions. Departmental officers are in a position to assist industrialists with enquiries regarding provincial development programs, plant location, financing, taxation, marketing, transportation, manpower and manpower training, research and development assistance.

Firms wishing to take advantage of these incentives and other services offered by the Department may obtain complete information and guidance by writing to:

Department of Regional
Economic Expansion,
Incentives Division,
161 Laurier Avenue West,
Ottawa 4, Ontario.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES

Introduction

Industrial research and development is encouraged generally with income tax allowance incentives, and by the Industrial Research and Development Incentives Act (IRDIA). Further assistance for worthy projects is offered for research by the Industrial Research Assistance Program (IRAP), and for research leading to commercial development by the Program for the Advancement of Industrial Technology (PAIT), and for improvement in the quality of Canadian product and system design by the Industrial Design Assistance Program (IDAP). In the area of defence, research projects are aided by the Defence Industrial Research Program (DIR), administered by the Defence Research Board, while the Defence Industry Productivity Program of the Department of Industry, Trade and Com-

merce encourages developments which have commercial defence export potential. The latter five incentive programs are designed to supplement the first two general incentives, and to ensure, insofar as it is practicable to do so, that no worthwhile research and development projects are abandoned for lack of financial support.

Income Tax Allowances

Under Section 72 of the federal Income Tax Act a corporation may deduct from its income all expenditures of a current nature made in Canada for scientific research, and all expenditures of a capital nature made in Canada (for the acquisition of property other than land) for scientific research, in the year in which they were incurred.

For purposes of this measure, "scientific

research" means a systematic investigation or search by means of experimentation or analysis in the field of science to acquire new knowledge, to devise and develop new products and processes and/or to apply newly acquired knowledge in making improvements to existing products or processes. In some

cases, expenditures to develop, test and evaluate a prototype are considered as scientific research expenditures. However, expenditures for purposes such as market research, sales promotion, quality control or preparation of specifications are not recognized as eligible expenditures.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES ACT (IRDIA)

The Industrial Research and Development Incentives Act was enacted in March, 1967 to provide general incentives to industry for the expansion of scientific research and development in Canada. The Act is administered by the Department of Industry, Trade and Commerce.

The new Act provides that taxable Canadian corporations may make application for cash grants, or credits against federal income tax liabilities, equal to 25% of:

- a) all capital expenditures (other than for land) incurred in the past fiscal year on research and development carried out in Canada; and
- b) the increase in current expenditures in Canada for scientific research and development over the average of such expenditures in the preceding five years.

For the purposes of the Act "scientific research and development" means systematic investigation or search carried out in a field of science or technology by means of experiment or analysis. It includes basic research, applied research and development which is defined as using the results of basic or applied research for the purpose of creating new or improving existing materials, devices, prod-

ucts or processes. Market research, sales promotion, quality control, prospecting, exploring or drilling for or producing minerals, petroleum or natural gas, commercial production, style changes and routine data collection are excluded from the definition of scientific research and development.

To qualify for a grant, expenditures must be for scientific research and development likely to benefit Canada. To this end, corporations must undertake to exploit the results of their research and development work in Canada, unless according to sound business judgement it would be uneconomic to do so. Furthermore, corporations must normally be free to exploit the results of their research and development in all export markets.

Grants made under the Act are not subject to federal income tax and are in addition to the normal 100% deduction of all expenditures for scientific research under the Income Tax Act.

Additional information may be obtained by writing to:

IRDIA Program Office,
Department of Industry,
Trade and Commerce,
Ottawa 4, Ontario.

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)

This program was established by the National Research Council in 1962 to encourage scientific research by Canadian industry. Assistance is in the form of grants and is intended primarily for applied research and development up to, but not including, pre-engineering preparation for production.

Financial assistance under this program is concentrated mainly on relatively long-term applied research through the establishment of new industrial research teams or the expansion of existing research groups. It excludes fields such as quality control, testing of

products and production techniques, market research and sales operations. Minor improvement of existing machines and processes, development of new applications of a product, and other similar work do not receive prime consideration under the program.

The initiative in project selection rests entirely with the firm; the N.R.C. Committee on Industrial Research Assistance assesses the program on its scientific merits and the capabilities of the company and its staff. The cost of an approved project is usually shared on the basis of approximately equal contribu-

tions by the National Research Council and industry. In practice, the division of costs generally provides for the payment of salaries and wages of scientific and technical staff by the government with payment for equipment and overhead by industry. Commercial security of industrial projects is maintained and all titles and rights to research results are

retained by industry.

For further information, interested firms should contact:

The Secretary,
N.R.C. Committee on Industrial
Research Assistance,
National Research Council,
Ottawa.

PROGRAM FOR THE ADVANCEMENT OF INDUSTRIAL TECHNOLOGY (PAIT)

This is a program of direct financial assistance, administered by the Department of Industry, Trade and Commerce, to stimulate sound industrial growth through the application of science and technology. The basic aim of the program is to help industry upgrade its technology and its innovation activity by underwriting specific development projects which involve a significant advance in technology and which, if successful, offer good prospects for commercial exploitation.

Assistance under the program is available to individual Canadian companies for development projects to be carried out in Canada. Under the program, the Department of Industry, Trade and Commerce shares up to 50% of the cost of a project including the cost of fabricating special test equipment and prototypes. However, it is not the purpose of the program to finance the establishment of a business or the acquisition of general purpose capital facilities, or to cover the cost of setting up production.

The choice of development projects and responsibility for their direction and execu-

tion rest with industry. Applications will be assessed on the basis of the technical and commercial feasibility of the project. Companies will normally be expected to have the means to undertake the development work and also to provide for the manufacture and marketing of the end product or for the use of the resulting process. However, where necessary, companies may subcontract portions of the work to other companies, research institutes, universities or consultants within Canada.

Title to patents, designs, information and equipment resulting from the project will be held by the company. However, the company will be required to give an undertaking to exploit the successful results of a project in Canada within a reasonable period of time.

For further details on the Program for the Advancement of Industrial Technology, interested companies should write to:

PAIT Program Office,
Department of Industry,
Trade and Commerce,
Ottawa 4, Ontario.

INDUSTRIAL DESIGN ASSISTANCE PROGRAM (IDAP)

A new program known as the Industrial Design Assistance Program (IDAP), has been approved, whose primary objective is to improve the competitive position of Canadian industry and expand trade in domestic and export markets by achieving improvement in the quality of Canadian product and system design. It is also intended that this program will create an environment which will attract and retain Canadian industrial design talent. Another objective of this program is to help industry help itself in upgrading its design capability and to expand its design innovation activity. The intention is to give direct financial assistance to those

manufacturing companies which demonstrate conclusively their interest in developing new and improved designs by the employment of qualified industrial design services.

This program is envisaged as a catalyst for improving the design quality of products and systems through which the potential return to the economy could be many times the original outlay. These objectives are directly related to the objectives of both the Department of Industry, Trade and Commerce and the National Design Council.

Assistance under this program will be available to companies incorporated in Canada. These companies may apply on an indi-

vidual basis or as a group organized as a consortium, to the extent that they can satisfy the requirements of the program. Financial assistance under the program is limited to up to 50% of the industrial design operational and administrative costs. Capital costs of any kind incurred by the applicant are excluded. Financial assistance is to be concentrated on relatively short term projects of product or system innovation. The costs covered shall include the salaries, wages and fees for industrial design and associated technical services, on staff and/or on a consultant basis, directly related to the specific project to be undertaken. These services must be directed by a person or persons qualified in the field of industrial design.

The Department of Industry, Trade and Commerce will evaluate applications for IDAP supported by both technical and commer-

cial feasibility criteria. Some of these criteria concern the quality of the project itself, while others are intended to establish that the company or consortia has the requisite capabilities and resources to undertake the design and development work and its subsequent exploitation.

Title to designs, patents, registrations and information resulting from the project will be solely the property of the companies. However, the companies will be required to produce the products and systems in Canada and market the results within a mutually agreeable period of time.

For further details on IDAP, interested companies should contact:

IDAP Program Office,
Department of Industry,
Trade and Commerce,
Ottawa 4, Ontario.

DEFENCE INDUSTRY PRODUCTIVITY PROGRAM

The Defence Industry Productivity Program combines the former Industry Modernization for Defence Exports Program and the Defence Development Sharing Program.

The program is designed to enhance the technological competence of the Canadian defence industry in its export activities by providing financial assistance to industrial firms for selected projects. Emphasis is placed on those areas of defence technology having civil export sales potential. Assistance may cover the development of products for export purposes; the acquisition of modern machine tools and other advanced manufacturing equipment to meet exacting military standards; and assistance with pre-production expenses to establish manufacturing sources in Canada for export markets.

In order to compete for, and participate in, the development and production programs of other NATO countries, Canadian defence industry must keep pace with product development and advances in manufacturing technology dictated by the requirements of modern military equipment.

Projects initiated under this program have played a major role in helping industry to develop its skills on a specialized basis in fields of technology which have defence and civil applications and which Canada is favourably situated to exploit. Costs of these projects are shared by the Department of Industry, Trade and Commerce and the Canadian firm

concerned and, in some instances, by the governments of other NATO countries. Among the projects that have received assistance are communications and aircraft navigation systems, gas turbine engines for aircraft, flight safety and simulation equipment, and information display facilities. Exports of the products of these developments continue to increase, including significant orders for such diverse applications as commercial airlines, public communication networks and television distribution systems.

Manufacturing equipment projects are selected for assistance on the basis that the machinery acquired will make a significant contribution to increased productivity. Generally this means that the machinery is the most advanced of its type, such as numerically-controlled metal working equipment. In many respects, defence manufacturing has dictated the development of advanced high production machines and the incentive to Canadian industry to introduce such equipment provided by this program is giving impetus to successful applications in the civil sector.

For further details on the Defence Industry Productivity Program, interested companies should write to:

Defence Industry Productivity Program,
Department of Industry, Trade
and Commerce,
Ottawa 4, Ontario.

FEDERAL SALES TAX — EXEMPTION/REDUCTION

Effective March 30, 1966, the following were exempted from federal sales tax when for use by manufacturers or producers directly in the manufacture or production of goods —

- (a) dies, jigs, fixtures and moulds,
- (b) patterns for dies, jigs, fixtures and moulds, and
- (c) tools for use in or attachment to production machinery that are work-

ing materials by turning, milling, grinding, polishing, drilling, punching, boring, shaping, shearing, pressing or planing.

Effective June 2, 1967, the federal sales tax was removed on machinery and apparatus sold to or imported by manufacturers or producers for use by them directly in the manufacture or production of goods.

CUSTOMS INCENTIVES

Canadian customs legislation contains a number of concessions favourable to domestic manufacturing activity. It should be noted, however, that duty concessions are not granted strictly on the basis that a firm is becoming established in Canada or is undertaking new manufacturing activity.

Outlined below are some of the major customs incentives of interest to manufacturers. For details on any of these measures, interested firms should get in touch with the appropriate Regional Office, Department of National Revenue, as indicated in the Canadian Customs Duties chapter of this series.

Tariff Relief — Manufacturers

The Customs Tariff contains a number of items providing for the duty-free entry of articles and materials to be used exclusively in the manufacture of certain merchandise in Canada. These items are intended to encourage processing operations in Canada. Also, the Minister of Finance may authorize certain reductions in duty by the establishment of temporary tariff items. They remain temporary for varying periods of time and, if warranted, can become statutory. It should be stressed that materials imported under such duty-free conditions, or at reduced rates of duty, are to be used exclusively in the manufacture of specified products.

Dies, Moulds

Authority may be obtained to import into Canada, on a temporary basis for a maximum period of twelve months, plant equipment such as dies, moulds, patterns and related jigs and fixtures, paying duty on the basis of one-sixtieth of the value of the goods for each month or part of a month they remain in Canada subject to a minimum payment of \$25.

per entry. This measure is intended to alleviate the high cost of duplicating such equipment for limited production runs, and encourages higher Canadian content in the finished product. This concession has been well received by industry and is used extensively. The regulations governing such temporary entry allow Collectors of Customs at ports of entry to authorize the temporary importation of such plant equipment rather than having to refer each case to Ottawa for approval.

Duty Drawbacks

The Customs Tariff includes several drawback items which permit the return of duty to the importer when materials, machinery or equipment are applied to specified uses. In addition, drawback provisions also apply in the case of goods imported for further processing in Canada and re-exported either to the same country from which the goods were originally imported or to a third country. In such circumstances, a 99% duty drawback is normally available.

There is one drawback provision which may be of interest to manufacturers using both imported and domestic materials of the same class in the production of goods subsequently exported. In order to avoid the maintenance of segregated stocks of domestic and imported materials for duty drawback purposes, the manufacturer is allowed to claim recovery of duty paid on the imported portion on the basis of equivalent content in the exported goods. An example of this would be a stock of soda ash composed partly of Canadian soda ash and partly imported. The soda ash would be used in the refining of metal sold domestically and exported. The manufacturer could claim a 99% duty drawback on

the imported soda ash in an amount equivalent to the quantity of soda ash used to refine the exported metal. "Equivalents" must be applied to exports within twelve (12) months of actual use of the imported material.

Production Components

It can be stated generally that a manufacturer in Canada who must use imported production components in his manufacturing operation can achieve savings on the basis of a lower value for duty. In such circumstances, a great deal depends on the extent of fabrication carried out in Canada.

If the components are imported for an assembly operation without the introduction of a reasonable Canadian content, it is likely that the only saving in valuation for duty would be the assembly and packaging costs transferred to Canada. However, in the case

of a manufacturing operation, the imported production components can be valued for duty purposes on the basis of factory cost (material, labour and factory overhead only) in the country of export plus a percentage advance. The size of this advance would vary depending in part on the degree of Canadian content attained in the finished product. If the Canadian content is high, the saving can be worthwhile.

A more detailed outline of the provisions for establishing value for duty on production parts, as well as on finished articles, is contained in the chapter "Canadian Customs Duties" from this series. Manufacturers are well advised to obtain valuation rulings in advance of importation from the appropriate Regional Office of the Department of National Revenue.

INCENTIVE FOR CANADIAN OWNERSHIP

Dividend Payments

Dividends paid or credited to a non-resident shareholder are subject to a 15% tax. However, this tax is reduced to 10% if the corporation declaring the dividends has a

"degree of Canadian ownership". The term "dividend" includes all distributions of earnings or profits of a corporation. For details concerning the meaning of "degree of Canadian ownership", see Appendix "A".

OTHER PROGRAMS

THE GENERAL ADJUSTMENT ASSISTANCE PROGRAM (GAAP)

The General Adjustment Assistance Program is designed to provide a practical and flexible means of assisting manufacturers in Canada to adapt profitably to changes in the world trading environment brought about by the Kennedy Round. The main aim of the program is to help manufacturers to take advantage of export opportunities arising from the Kennedy Round. It is also designed to help manufacturers to improve their competitive position where they have been injured or are threatened with injury as a result of an increase in imports attributable to Kennedy Round reductions in the Canadian tariff.

Under this program three forms of assistance are available to eligible manufacturers who are unable to obtain the necessary financing from conventional sources on reasonable terms and conditions to adapt their operations. The principal form is government insurance against risk of loss on adjustment

loans made by private lenders for the purpose of financing viable adjustment programs. The amount of insurance that may be authorized is up to 90% of a loan and a fee of 1% per annum is payable on the amount of insurance in force. Secondly, direct government loans may be made in special circumstances to firms who have been seriously injured or are threatened with serious injury as a result of an increase in imports attributable to Kennedy Round tariff cuts made by Canada and who are unable to obtain an insured loan. Thirdly, financial grants may be made to eligible manufacturers who have applied for assistance and who need the services of qualified consultants to develop effective adjustment proposals and where the cost of the consulting assistance would be a significant burden on the resources of the applicant. The program is administered by a General Adjustment Assistance Board on which private industry

and government are represented.

Further information on the General Adjustment Assistance Program may be obtained by writing to:

The Program Office,
General Adjustment Assistance Board,
Department of Industry, Trade and
Commerce,
Ottawa 4, Ontario.

THE MACHINERY PROGRAM

Effective January 1, 1968, Tariff Item 42700-1, which covers the majority of machinery and equipment used by secondary industry, provides for the remission of duty on machinery classifiable under that tariff item when the machinery being imported is not available from production in Canada, if it is in the public interest to do so. The primary objective of providing for remission of duty in this way is to encourage the development of efficient industry by allowing users of machinery to acquire capital equipment at lowest possible cost and, at the same time, enable machinery producers to obtain the maximum protection from the tariff that will apply to the products they manufacture.

Importers of machinery who wish to determine their eligibility for remission of

duty should make a formal application to the Machinery and Equipment Advisory Board. Similarly, manufacturers whose machinery would be classified under this tariff item if it were imported into Canada should so advise the Board that they are manufacturing or are in a position to do so, to insure that they receive the protection provided for by the duty imposed under Tariff Item 42700-1. Application forms together with pamphlets outlining the conditions under which applications will be considered, are available from Collectors of Customs and Excise or from:

The Secretary,
Machinery and Equipment Advisory Board,
Department of Industry, Trade and
Commerce,
Ottawa 4, Ontario.

PHARMACEUTICAL INDUSTRY DEVELOPMENT ASSISTANCE (PIDA)

The Pharmaceutical Industry Development Assistance Program (PIDA) was approved by Parliament in April 1968. It was designed to assist individual companies or groups of companies to improve their ability to manufacture and market lower priced prescription drugs at more competitive prices through reorganization of any of their operations of manufacturing, marketing, distribution or research.

The program is administered by the Department of Industry, Trade and Commerce through the medium of a committee which determines eligibility of the application and approves the amount and conditions attached to each loan. Each application for assistance must contain a comprehensive plan indicating how the company intends to reorganize, establish or expand its operations and must show it has or is able to acquire the necessary technical, financial and managerial skills to successfully carry out the proposal. Each applicant must also provide evidence that it cannot obtain the needed financing from other

sources and must satisfy the committee that on completion of the project, its operations will be financially viable and capable of servicing and repaying the loan. Interest on loans will be established at prevailing commercial rates. Loans may be made for periods not to exceed twenty years for expansion, conversion or acquisition of any building or real or immovable property, and for ten years in any other case. Financing on a joint cost sharing basis is also available to cover the cost of feasibility studies required for any loan application.

For further information, interested companies should contact:

The Secretary,
Pharmaceutical Industry Development
Committee,
Department of Industry, Trade and
Commerce,
Ottawa 4, Ontario.

SHIP CONSTRUCTION SUBSIDY REGULATIONS

This is a program of direct financial assistance administered by the Department of Industry, Trade and Commerce. The program is intended to provide protection for Canadian shipyards against foreign competition and, by a gradual reduction in rate of subsidy, encourage shipyards to increase their efficiency and reduce costs to meet this competition.

Assistance under this program is available to individuals, Canadian companies, municipal corporations, or Her Majesty in right of any province of Canada. Under this program the Department of Industry, Trade and Commerce pays a percentage of the construction on costs for a commercial ship or fishing trawler.

The percentage available for a fishing trawler over 75 feet in overall length is 35%. For other commercial vessels the rate is 23% as of March 1, 1970 and is being reduced by

1/2 a percent every three months until March 1, 1973 when the rate will be established at 17%.

For further details on this subsidy program, interested firms should contact:

The Aerospace, Marine and Rail Branch,
Department of Industry, Trade and
Commerce,
Ottawa 4, Ontario.

Miscellaneous

Such programs as the Automotive Adjustment Assistance Program and the Building Equipment and Material Program which are administered by the Department of Industry, Trade and Commerce are not described in this booklet, as they are programs of limited application, not designed to be general industrial development incentive programs.

APPENDIX "A"

The following is an abridged version of the actual requirements:

"Canadian Ownership"

The requirements which a company must meet to qualify for the reduction in the rate of withholding tax on dividends from 15% to 10% are as follows:

1. The company must be a resident of Canada.
2. (A) No less than 25% of the company's issued and outstanding voting shares and no less than 25% of the equity share capital of the company must be owned in Canada (by individuals and/or by Canadian controlled companies).

OR

- (B) A class or classes of voting shares and a class or classes of equity shares representing not less than 50% of the equity share capital of the company must be listed on a Canadian stock exchange and no more than 75% of the voting shares must be owned by one non-resident person or related persons.
3. At least 25% of the directors of the company must be resident in Canada.

To qualify as having a degree of Canadian ownership in a particular taxation year, a company other than a new corporation must have met each of the three requirements described above throughout any sixty-day period in the 120 day period commencing 60 days before the first day of the year.



